



# County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101  
<http://cao.co.la.ca.us>

DAVID E. JANSSEN  
Chief Administrative Officer

June 26, 2006

To: Supervisor Michael D. Antonovich, Mayor  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

From: David E. Janssen  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

## PROPOSED STATE AND FEDERAL FUNDING REDUCTIONS

On May 10, 2006, your Board requested that my office report back on the potential impact of projected federal budget and State budget funding reductions on County Departments in 2006-07. While there were a number of reductions in the Federal Fiscal Year (FFY) 2006 Budget, the State legislature has still not passed a budget for Fiscal Year (FY) 2006-07. Our estimates of reductions are based on State Conference Committee actions. The report below includes only those items identified as significant by the affected Departments.

### Federal Budget Actions

#### Bioterrorism Public Health Grant

Based on the FFY 2006 Budget reductions in the Bioterrorism (BT) Grant, the Department of Health Services (DHS) Public Health programs anticipates receiving a BT Grant award for 2006-07 of \$19.5 million, which reflects a reduction of \$5.0 million from its 2005-06 BT award of almost \$24.5 million. The FFY 2006 Budget reductions will also reduce pass-through BT funding for Long Beach and Pasadena, dropping the BT Grant amounts of \$1.6 million and \$0.6 million, respectively, for 2005-06 to \$1.0 million and \$0.3 million projected for 2006-07.

DHS Public Health does not expect to implement any significant curtailments in ongoing BT programs in 2006-07, because carry-forward BT funding from prior years is expected to be available to mitigate the funding reduction. For future fiscal years,

Public Health is re-evaluating their proposed full implementation of BT programs to see where future programs may need to be reduced.

#### Community Development Block Grant

Los Angeles County was allocated \$34.6 million in federal Community Development Block Grant (CDBG)/Los Angeles County Urban Program funds in FY 2005-06 and an estimated \$30.9 million for FY 2006-07, a \$3.7 million reduction in the amount of available funding. The CDBG funding is reflected in the Community Development Commission budget.

CDBG funding is used primarily for capital projects, (community and economic development and housing) however a portion is also distributed to non-profit agencies that perform public services. The reduced CDBG funding is not expected to result in project cancellations but may result in fewer projects being funded. Also, multi-year capital projects may take longer to finance due to decreased funding. Funding for public services, which is provided mainly to non-profit agencies, has been reduced as a result of the overall reduction in the grant. As a result, some agencies have not been funded because the reduced funding available to them would not sustain their operations.

#### Justice Assistance Grant

In FFY 2005, the Justice Assistance Grant (JAG) program awarded \$3.3 million to the County for use in FY 2006-07, providing full funding of \$1.5 million for on-going JAG-dependent County programs. Residual funds of \$1.8 million will be distributed at your Board's discretion to departments for one-time expenditures on at-risk youth programs.

In FFY 2006, the JAG Program awarded \$2.0 million to fund programs for the County for use in FY 2007-08. Although this represents a reduction of 41.3 percent from the previous year, on-going JAG-dependent County programs will continue to be fully funded. However, one-time funding for at-risk youth programs will be reduced by \$1.3 million to approximately \$500,000.

#### Workforce Improvement Act

Reductions in FFY 2006 Budget funding for Workforce Improvement Act (WIA) programs will reduce the allocation of WIA funds in the Community and Senior Services (CSS) 2006-07 budget by \$3.16 million from the prior fiscal year. This reduction was

reflected in the CSS 2006-07 Proposed Budget and includes a reduction of 27 budgeted positions, which are currently vacant.

### **State Budget Actions**

#### **Property Tax Administration Program**

The State suspended the Property Tax Administration Program (PTAP) for the second year, which will result in the loss of \$13.5 million in revenue for the County. The Assessor is including the loss of revenue in the Proposed Budget, with \$10.0 million funded out of the FY 2006-07 General Fund and the remaining \$3.5 million absorbed by the department.

#### **CalWORKs**

In our June 15, 2006 Sacramento Update, we reported that the Budget Conference Committee approved a compromise package that proposes to restore \$140.0 million to fully fund the CalWORKs program at the 2005-06 level. The package also provides an additional \$90.0 million in Single Allocation funds to meet new Federal work participation requirements, of which the County is expected to receive an estimated \$30.0 million to help comply with the Federal Deficit Reduction Act.

### **Pending Federal Budget Proposals**

#### **Cap on Medicaid Payments to Government Providers**

The President's proposed federal Fiscal Year (FFY) 2007 Budget includes a proposal to reduce Medicaid spending by \$5.9 billion over five years by capping Medicaid payments to government providers, such as the County, to no more than the cost of providing services to Medicaid recipients. Last year, the County successfully opposed this proposal when the Administration pursued it as a legislative proposal. However, this year the proposal is to implement the proposed cap administratively. Many members of Congress and state and local officials question whether the Administration has the administrative authority to implement the changes without enacting authorizing legislation. The potential full-year revenue loss to the County's public hospitals could total \$200.0 million. The fiscal impact in 2006-07 would depend on if and when the proposed Medicaid payment cap would take effect.

Each Supervisor  
June 23, 2006  
Page 4

#### Medicaid Citizenship Documentation Requirements

The Deficit Reduction Act (DRA), which the President signed into law (P.L. 109-171) on February 8, 2006, prohibits federal financial participation under Medicaid for individuals who declare that they are citizens of the United States for Medicaid eligibility purposes unless the State obtains satisfactory evidence of their citizenship and identity. The Centers for Medicare and Medicaid Services (CMS) has indicated that it plans to issue an interim final rule on these new citizenship documentation requirements before the end of the month. Under the DRA, these requirements take effect on July 1, 2006. The County's uncompensated health care costs would increase if, otherwise, eligible Medicaid applicants and recipients encounter difficulties in complying with the documentation requirements.

If you have any questions regarding these matters, please contact me, or your staff may contact Sid Kikkawa of my staff at (213) 974-1133.

DEJ:DIL  
SK:MI:ljp

c: Executive Officer, Board of Supervisors  
Auditor-Controller  
County Counsel

grant funding.bm